

Message from the Chairman of the Board

Overseeing the path to realizing our vision for sustainable growth objectively

Masatoshi Ito
Chairman of the Board



Active discussions held from an early stage when establishing our new vision and MTP

Recently, we established our vision for 2030. Because we were able to reach an early consensus among the Board of Directors regarding the overarching direction, we went ahead with discussions on the growth strategy and investment plan for this vision. During these discussions, Outside Directors offered objective feedback and advice, which energized discussions at Board meetings and other meeting bodies. I feel this resulted in a vision that is very grounded. Outside Directors were involved from the early stage of the 2020-2025 MTP formulation process, which resulted in a number of useful opinions regarding investment in intangible assets. Going forward, I'm convinced this process has paved the way for more in-depth discussions on matters of importance for management.

Governance system changes and compensation system revision to further enhance objectivity and effectiveness

In June 2019, we made changes to our corporate governance system. First, we established a system where three Outside Directors were appointed to chair the Nominating Advisory Committee, Compensation Advisory Committee, and Corporate Governance Committee, which report directly to the Board of Directors. Outside Directors now lead discussions by these committees; therefore, it has increased the objectivity of the deliberation process and outputs. We also established the Outside Director Communication Committee to facilitate the exchanging of views among Outside Directors.

Next, we increased the number of Non-Executive Internal Directors by one. Utilizing his wealth of knowledge and experience in Group company management inside and outside of Japan, he is supervising operations effectively, including at the Group companies where he

has been appointed Director. This increase in Non-Executive Internal Directors has been highly praised by Outside Directors, too, from the standpoint of increasing the effectiveness of the Board of Directors.

We have partially revised our compensation system which was approved at the shareholders meeting held in June 2020. After determining that enhancing shareholder value should be evaluated based on increased medium-term capital efficiency, we removed ROE, which fluctuates due to short-term financial leverage, as an evaluation indicator for short-term company performance-linked compensation. We revised the key indicators for medium-term company performance-linked stock compensation to return on invested capital achievement rate, core business sales ratio achievement rate, relative total shareholder return, employee engagement and ESG targets.

Separation of business execution and supervision, and the continued pursuit of diversity

The Board of Directors will push ahead with the new vision and the 2020-2025 MTP. At the same time, the Corporate Governance Committee will take the lead in continually reviewing measures and mechanisms for appropriate supervision. Discussion incorporating diverse perspectives is a point of emphasis. We are now focusing on diversity in management, including increasing the number of female directors and appointing foreign nationals to corporate executive officer positions, and we plan to strengthen and expand this diversity.

A handwritten signature in black ink, appearing to read 'M. Ito'.

Masatoshi Ito
Chairman of the Board